

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
BRIEF**

ORIGINAL
Nos. 76-7225,
76-7231

IN THE
United States Court of Appeals
FOR THE SECOND CIRCUIT

AMERICAN DIET AIDS COMPANY, INC., and U.S. NUTRI-
TION PRODUCTS CORP.,

Plaintiffs-Appellees and Cross-Appellants,

vs.

PLUS PRODUCTS,

Defendant-Appellant.

Appeal From the District Court of the United States for the
Southern District of New York.

Honorable Kevin Thomas Duffy, Judge.

Brief on Behalf of Plus Products, Defendant-Appellant.

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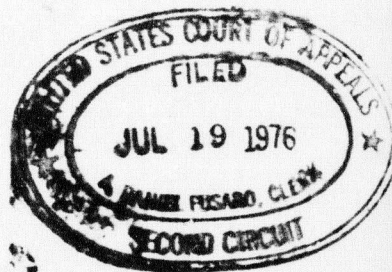
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Issues.

This appeal involves in part issues which arise at the interface between trademark law and the public policy relating to Foods, Drugs and Cosmetics. This appeal also involves the interaction between common law trade names and federally registered trademarks in addition to issues of trademark infringement and the cancellation of registered marks.

The issues appear to be:

1. Whether under *United States v. Park*, 421 U.S. 658, 44 L.Ed.2d 489, 95 S.Ct. 1903, 1911 (1975) the Puerto Rican manufacturer of a food who has

breached his affirmative duty to insure against misbranding is guilty of unclean hands so as to preclude him from asserting the equitable defense of laches to a charge of trademark infringement.

2. Whether Plus Products' motion to produce documents bearing directly on the question of misbranding was erroneously denied.

3. Whether one who stands accused of infringing another's registered trademark admits infringement by seeking an order cancelling such registered trademark.

4. Whether the failure to consider the state of Plus Products' reputation and, hence, the question of trade name infringement was reversible error.

5. Whether American Dietaids has committed acts of trademark and trade name infringement through the use of "plus" suffix marks which in relation to Plus Products' common law trade name and registered trademark are likely to cause confusion, or to cause mistake or to deceive.

6. Whether American Dietaids' trademark registration for the mark ACEROLA PLUS should be cancelled from the Principal Register of the Patent and Trademark Office.

7. Whether Plus Products' trademark registration for the trademark PLUS should be cancelled from the Principal Register of the Patent and Trademark Office.

Statement of the Case.

The action was commenced as a declaratory judgment action which, by way of amended complaint, sought a declaration that American Dietaids Company, Inc., and U.S. Nutrition Products Corp. (hereinafter collectively referred to as "American Dietaids"), did not infringe Plus Products' trademark PLUS, and that Plus

Products' trademark Registration No. 789,507 for the trademark PLUS should be cancelled from the Principal Register of the Patent and Trademark Office (Apdx. 6).

Plus Products by amended answer and counterclaim denied the material allegations of the amended complaint, and counterclaimed alleging trademark infringement and unfair competition by American Dietaids and sought cancellation of American Dietaids' trademark Registration No. 862,624 for ACEROLA PLUS from the Principal Register of the United States Patent and Trademark Office (Apdx. 23).

The reply to the amended answer and counterclaims placed in issue the allegations of the counterclaims (Apdx. 35).

The counterclaims alleged not only the infringement of the registered trademark PLUS but also acts of unfair competition by reason of the unauthorized use of the dominant part of the trade name of Plus Products.

The action was tried without a jury to Judge Kevin Thomas Duffy. An opinion was entered holding that there was no infringement and no unfair competition, that Plus Products was estopped by laches from asserting infringement against American Dietaids, and that neither trademark registrations should be cancelled (Apdx. 36). Judgment was entered in accord with the opinion (Apdx. 48) and this appeal followed.

Those facts which are undisputed were stipulated to in a seventeen-page document which is in evidence as the Court's Exhibit No. 1, and which was also filed herein on January 17, 1975. Two folders containing the parties' labels were filed therewith.

Sixteen of American Dietaids' marks are in issue here. These are multiple word marks in which the prefix word is descriptive of the product and the suffix

word is the word "plus." These marks are conveniently described as "plus" suffix marks. Twelve of these "plus" suffix marks were adopted and used by American Diet-aids before the filing of the original complaint herein. Four "plus" suffix marks were adopted and used by American Diet-aids after the filing of the complaint. In economic terms, by far the most important of the "plus" suffix marks is ACEROLA PLUS. This is the only one of American Diet-aids' "plus" suffix marks which is registered on the Principal Trademark Register. The opinion below focused almost exclusively on this mark.

The parties are direct competitors in the health food industry. Both manufacture vitamins, minerals and food supplements.

The common law trade name, "Plus Products" is in issue here, as is Plus Products' trademark Registration No. 789,307 for PLUS (Exh. F).

American Diet-aids' accused marks that were adopted before this action are:

Lecithin Plus	Rose Hips Vitamin C Plus
Brewers Yeast Plus Iron	Bone Plus
Wonderola Plus	Liver Plus
Alfalfa Seed Plus	Camu Plus
Whey Lac Plus	Acerola Plus
Vitamin A Plus	All-Cal Plus

and those adopted during this action are:

Rose Hips Plus	E-Cerola Plus
Super Acerola Plus	D-Alpha Plus

American Diet-aids' emphasis on "plus" in its recent advertising is illustrated by Exhibit B.

Summary of Argument.

The holding below was based primarily on laches. Plus Products asserted an unclean hands defense to the charge of laches. This defense was rejected with the holding that Plus Products had failed to prove misbranding on the part of American Dietaids. The rejection of the unclean hands defense was error because, even in the absence of proof of misbranding, American Dietaids was guilty of unclean hands by reason of having breached its affirmative duty to implement measures to insure that misbranding did not occur. The United States Supreme Court announced this affirmative duty in *United States v. Park, supra*. This case was so recently decided that the Court below did not have the opportunity to consider it.

The unclean hands issue is a very narrow one on the facts because by the interaction of *United States v. Park, supra*, and the public policy reflected in the Federal Food, Drug and Cosmetic Act. American Dietaids is denied its only possible defense to the charge that it has unclean hands by reason of the breach of its affirmative duty. American Dietaids insists it relied in good faith on the representations of its suppliers to support the crucial assertion made on its labels that its products are "all natural." Because it manufactures in the Territory of Puerto Rico, the defense of good faith reliance is denied to it. Further, there are several other proven facts which show American Dietaids had good reason to suspect the accuracy of the label representation that its products are "all natural."

Plus Products was erroneously denied its opportunity to prove misbranding because its motion to require American Dietaids to produce the documents in which the suppliers made the representations on which American Dietaids allegedly relied was denied.

American Dietaids has no standing to sue for the cancellation of Plus Products' registered trademark unless it first admits infringement.

A substantial portion of Plus Products' proof below was directed to the issue of the infringement of the dominant part of its common law trade name. The Trial Court did not decide this issue. The Court did find, contrary to the evidence, that the parties were not direct competitors until after American Dietaids had first used a few of its "plus" suffix marks. As a result of not deciding trade name infringement and finding contrary to the evidence the Court erroneously held that American Dietaids adopted the accused mark in good faith.

The crucial question in trademark and trade name infringement is whether there is likelihood of confusion, Title 15 U.S.C. §1114(1). In general the analysis of this question involves a determination of the similarities between the marks, the goods, and the usages of the marks. Here the goods are identical in that both parties, for example, sell vitamin C in the health food market. Any differences in the goods are due to American Dietaids' claim that its vitamin C is "all natural," a claim which is much at issue here. The marks in issue here are similar in appearance, sound and meaning. American Dietaids' "plus" suffix marks include a *nondistinctive* descriptive portion and a *dominant* portion. The dominant portion of each of American Dietaids' "plus" suffix marks is PLUS. The nondistinctive portions of American Dietaids' marks are such words as "liver," "acerola," and other equally descriptive terms which are the ordinary generic descriptive words for the products to which the marks are applied. These words are obviously included in the mark for their advertising value in describing the product. "Plus" is the dominant part of Plus Products' trade name. It

was error for the Court to fail to consider the dominant portions of the marks and trade name in deciding infringement. The respective usages of the marks in issue are virtually identical in every dimension. Although an unconvincing attempt was made at trial to contradict his deposition testimony, the president of American Dietaids testified under Rule 30(b)(6), F.R.C.P., that there was likelihood of confusion. The president of Plus Products testified that there was likelihood of confusion.

The marked products are in direct competition in the same geographic areas for the same sales. They sell at about the same prices through the same outlets and each party testified that it is damaged by the other's use of PLUS. It was error for the Court not to find infringement.

American Dietaids' trademark registration for ACEROLA PLUS should be cancelled because the mark was adopted in bad faith and has been used with unclean hands, and because of the prior continued use of Plus Products' trade name.

Plus Products' trademark registration for PLUS should not be ordered cancelled because it is entitled to the shield of incontestability and American Dietaids failed to offer any evidence whatsoever to support its position.

When the heavy hand of laches is withdrawn and the entire evidence of infringement is reviewed, it appears that a mistake has been committed, *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S.Ct. 525, 92 L.Ed. 746 (1948); *Coons v. Washington Mirror Works, Inc.*, 477 F.2d 864, 867 (2d Cir. 1973).

American Dietaids Has Unclean Hands by Reason of the Breach of Its Affirmative Duty to Implement Measures to Insure That Misbranding Does Not Occur.

American Dietaids has an affirmative duty to insure that its products to which the "plus" suffix marks in question are applied are not misbranded. American Dietaids' labels indicate that the products in question are "all natural." If the products are in fact not all natural, they are misbranded within the meaning of the Federal Food, Drug and Cosmetic Act. This act and the decisions thereunder indicate the applicable public policy as regards the misbranding of food.

American Dietaids has breached its affirmative duty to insure that the products in issue are not misbranded by failing to make the necessary tests and inquiries to determine whether in fact the "plus" suffix marked products in issue are "all natural."

By reason of having breached its affirmative duty, and without regard to whether misbranding has in fact occurred, American Dietaids is guilty of unclean hands with regard to the very products to which the "plus" suffix marks in issue are applied. American Dietaids should, in furtherance of the public policy against misbranding, be stripped of its equitable defense of laches. It was error for the Trial Court not to so hold. Such a holding would have a strong tendency to encourage self-enforcement of the Federal Food, Drug and Cosmetic Act.

The vitamin products to which American Dietaids applies the marks in issue are foods within the meaning of the Federal Food, Drug, and Cosmetic Act, Title 21 U.S.C. §321(f), which provides in pertinent part

"The term 'food' means (1) articles used for food or drink for man. . . ."

There is a strong public policy against the manufacture within any Territory of misbranded food, Title 21 U.S.C. §331(g), which prohibits

“The manufacture, within any Territory of any food . . . that is adulterated or misbranded.”

The American Dietaids products here in issue are manufactured in Puerto Rico (Rp.Tr. 180); where it was represented to the Court that

“. . . The general offices are in Orangeburg, but the product is made in Puerto Rico. . . .”
(See also Rp.Tr. 53).

Certain acts of misbranding prohibited by Title 21 U.S.C. §331 are excepted from the effect of the law if they are done in good faith in reliance upon a guaranty or undertaking signed by a supplier, Title 21 U.S.C. §333(c). These good faith exceptions are not, by the terms of the act, extended to misbranded products manufactured within a Territory. Because American Dietaids manufactures the products in issue within Puerto Rico, it is not included within the exceptions listed in §333(c), and may not rely upon the guaranty of its supplier in defense of a charge of misbranding. Therefore, its affirmative duty extends beyond mere reliance upon the guaranty of its supplier.

The Supreme Court, in the context of determining the standard of liability of corporate officers under the Federal Food, Drug, and Cosmetic Act, has recently held that:

“. . . the Act imposes not only a positive duty to seek out and remedy violations when they occur but also, and primarily, a duty to implement measures that will insure that violations will not occur.”

United States v. Park, 421 U.S. 658, 44 L.Ed. 2d 489, 95 S.Ct. 1903, 1911 (1975).

The labeling of a product as being "all natural" is, as this court has previously noted, of great importance to the customer of the health food industry, *National Nutritional Foods Ass'n. v. Food & Drug Admin.*, 504 F.2d 761, 779 (Footnote No. 18) (2d Cir. 1974). The label indication of "all natural" has an intended and very substantial effect on those to whom it is addressed. If the product is not in fact "all natural" it is misbranded, *V. E. Irons, Inc. v. United States*, 244 F.2d 34, 39-40 (1st Cir. 1957).

American Dietaids has admittedly not fulfilled its duty to implement measures that will insure that misbranding will not occur through the labeling of synthetic vitamin C materials as "all natural" products because it has not tested its products to insure that the vitamin C is in fact all natural. Mr. Okin, president of American Dietaids, testified on cross-examination as follows:

"Q Referring to the phrase 'a completely natural vitamin C complex with acerola,' what steps have you taken in quality control to insure that this is a completely natural vitamin C material?

A The products are purchased from reliable sources with protocols. They are assayed for vitamin C content and, therefore, our assumption is bonafide suppliers, whom we have been dealing with for years, that this is what they represent it to be.

* * *

Q Isn't it a fact that in natural sources of vitamin C a part of the C is present in the oxidized form as a dehydroascorbic acid?

A Some of it is, yes.

Q There are analyses where that can be determined, are there not?

A Yes, but that doesn't—yes.

Q Thin layer chromatography, as a matter of fact?

A Yes.

Q Have you run any of those tests to determine that?

A No, we have not." (Rp.Tr. 82, 83).

Although he originally denied that the naturalness of vitamin C could be determined by test (Rep.Tr. 73-74), Mr. Okin subsequently admitted in the above quoted portion of the record that it could be determined by test. Also, Dr. Ershoff testified that it is possible to test for the naturalness of vitamin C because natural vitamin C contains some vitamin C in an oxidized form whereas the synthetic product does not. In a lengthy answer in response to a question from the Court at Rp.Tr. 227-228 Dr. Ershoff testified in pertinent part as follows:

* * *

"The chemical formulation of a synthetic and a natural product are identical. The only difference that may show up is that in a synthetic product virtually 100 per cent of the vitamin C is in the reduced form. In a natural product there is usually on the average, depending on how the product is manufactured and stored, approximately 10 per cent of the product is in an oxidized form known as dehydroascorbic acid."

* * *

Even if it could be argued that the test might not have been conclusive, it was incumbent upon American Dietaids to make that test in order to fulfill its duty.

The Trial Court held in effect that Plus Products had failed to prove that American Dietaids was guilty of misbranding. Assuming *arguendo* that American Diet-

aids has not been proven guilty of misbranding, this does not dispose of the question of its breach of duty in failing to implement measures to insure that misbranding will not occur. American Dietaids' alleged good faith reliance on the protocols of its suppliers does not discharge its duty because public policy imposes a stricter duty on one who manufactures within Puerto Rico. Also, there is ample reason for American Dietaids to suspect from the labeling practices of its competitors that its vitamin C products are not all natural. Virtually identical products sold by American Dietaids' competitors at about the same prices indicate on the labels that they are "Vitamin C *with* acerola" (emphasis added) (Exhs. C, D, E, J, K, L, M, N, O, Bateman Depo. Exh. 56, pp. 16, 18-20). Considering the tremendous sales advantage in the use of the "all natural" claim, it is highly unlikely that competitors would voluntarily handicap themselves by omitting this claim from their labels unless the use of it would cause their products to be misbranded.

Mr. Okin admitted the significance of the "all natural" claim. As a part of a long narrative he testified in pertinent part:

* * *

"A bing cherry, the size of a bing cherry, this acerola berry had more vitamin C in one berry than in a whole orange. This was very dramatic.

It was very important to me, because I was dealing with people who were interested in natural vitamin C and other natural products as well.

I saw this as an opportunity if it, in fact, was true that this berry did contain this amount of vitamin C that we might open up a new source of high potent natural vitamin C for our particular consumers.

Until this time the only kind of natural vitamin C that was wide spread in our industry was a product called rose hips vitamin C. This was widely disseminated in our industry and although we had a product like that we thought if we could find a new excellent source of natural vitamin C this would be very good." (Rp.Tr. 20-21).

* * *

Mr. Okin testified further:

"Q You indicated as you understood the people who purchase health food products they read the labels very carefully?

A Yes, I think they do.

Q Do they base their purchases on the basis of what they read on those labels?

A Many times I assume they do." (Rp.Tr. 69-72).

* * *

"Q In the marketplace, is there any significance to the use of the word 'natural' to the purchaser?

A I'm sure there are to some and to some there are not.

Q Particularly with regard to acerola C, that is, a vitamin Acerola Plus, which contains vitamin C, is there any advantage to using 'all natural' in terms of sales?

A In terms of sales, there are many people, health food oriented people particularly, who feel that natural vitamin C is superior to synthetic." (Rp.Tr. 71; see also Rp. Tr. 51-52).

Mr. Ingoldsby, founder and long time president of Plus Products, testified:

"Q Is there in the health foods a market for what are designated 'All Natural Products'?

A The industry has been built up very strongly on that." (Depo. of Ingoldsby, p. 91).

American Dietaids has, in the interests of increased sales, closed its eyes to any possible avenues of inquiry which might tend to reveal the falsity of its "all natural" claim. Its duty is such that it is guilty of unclean hands for failing to make the necessary and possible tests. If American Dietaids is successful in failing to make tests and inquiry, its competitors will be encouraged to do the same. Voluntary compliance with the law will thus be discouraged and to that extent public policy will be defeated.

Mr. Okin's testimony that American Dietaids relied upon the representations of its suppliers without ever checking the truth of the important claim to being "all natural" is out of character with the way Mr. Okin runs his business.

Mr. Okin does now and has for many years overseen the entire operation of American Dietaids and is particularly active in production and in the development of new products.

"Q What phases of the operation of the plaintiffs have you personally supervised since the time of the purchase?

A I oversaw the overall operation. The development of products. The production. Innovation of new products and new ideas. In some way or to some extent, marketing.

Q What about sales?

A Yes. I was involved in sales. Peripherally.

Q Advertising?

A Yes. Marketing and advertising." (Depo. of plaintiffs by Okin, p. 8).

Mr. Okin is a thorough, careful, and very knowledgeable man, and every decision made in the business of American Dietaids is made very deliberately. Mr. Okin testified in deposition:

"Q It is possible in the course of business to make decisions quite hastily. Someone comes

in and says, 'Well, what do we call this?' And with very little reflection, you say, 'Oh, call it ALL-CAL PLUS.'

Was that the way the decision with regard to these plus marks was made or were they more deliberate in their origin?

A Every decision we made in our business was very deliberate." (Depo. of plaintiffs by Okin, pp. 45-46).

Mr. Okin on direct testified:

* * *

"I should preface this by saying I'm a chemist and it has been my practice for many, many years to read a very important journal, Chemical Abstracts, and in reading this many, many years ago, I guess it was 1967, although I can't be exactly sure—1957, correction 1957, I came across a very interesting abstract." (Rp.Tr. 19-20).

* * *

American Dietaids does not rely on the accuracy of its suppliers' protocols to determine the concentration of vitamin C in the raw materials. It analyzes the raw materials to ascertain for itself what the concentration of vitamin C is. Mr. Okin's testimony respecting American Dietaids' quality control is of interest.

"Q Would you comment on the quality of the products that you produce? Is there any objective standard that you can quote?

A Yes, there are very rigid standards, standards which we ourselves adhere to and standards which are monitored and controlled by the Food and Drug Administration.

All products, all our products are very carefully made according to good manufacturing practices, which the Food and Drug Administration insists

on and which every manufacturer follows who is in business for any length of time.

We have our own control laboratory, chemical laboratory which assays and analyzes all our products. They must meet very definite specifications before they are passed and brought to the consumer." (Rp.Tr. 48-49).

* * *

"Q And you check those vitamin C contents in the assay labs when you formulate your products?

A Oh, yes. We must." (Rp.Tr. 94).

Why does not American Dietaids check to see whether its raw materials contain the oxidized form of ascorbic acid just as it does the concentration of vitamin C? Such a check would be consistent with the rest of its business operation. The failure to check underlines the deliberate nature of its breach of duty.

It has long been recognized that where a product is sold on the basis of certain important representations in the label and those representations are false, equity will not aid the trademark owner in protecting the mark which appears on the misrepresenting label. *Manhattan Medicine Co. v. Wood*, 108 U.S. 218, 222, 223, 27 L.Ed. 706, 707, 708 (1882).

This is the rule even where the falsehood is harmless. *Worden & Co. v. California Fig Syrup Co.*, 187 U.S. 516, 534, 535, 47 L.Ed. 282, 290, 291 (1902).

The clean hands doctrine denies relief to a party who has, with regard to the subject matter in issue, committed any willful act

"... which rightfully can be said to transgress equitable standards of conduct . . . [and] . . . where a suit in equity concerns the public interest

as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions."

Precision Instrument Manufacturing Co. v. Automotive Maintenance Machine Co., 324 U.S. 805, 814-815, 89 L.Ed. 1361, 1386 (1944).

There is a public interest in trademarks, and a purported trademark owner will be denied relief by reason of unclean hands where the label which bears his purported trademark misrepresents to the public the nature of his product. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 494, 86 L.Ed. 363, 367 (1941); *Strey v. Devine's, Inc.*, 217 F.2d 187, 103 U.S.P.Q. 289, 290 (7th Cir. 1954); *Renaud, Inc. v. Davis*, 35 F.Supp. 622, 623, 47 U.S.P.Q. 337, 338 (D.C.D. Mass. 1940).

In furtherance of the public policy against misbranding a purported trademark owner should be denied equitable relief by reason of unclean hands where he has breached his duty to insure that misbranding will not occur. Here the breach of duty has occurred with regard to the selfsame labels upon which the trademarks in issue appear. American Dietetics should, therefore, be stripped of its equitable defense of laches.

Public policy favoring voluntary cooperation with the letter and spirit of the Federal Food, Drug and Cosmetic Act will be substantially promoted if it is held that failure to take affirmative action to insure against misbranding of food will render the trademarks thereon unenforceable or unprotectable by reason of unclean hands.

Laches is an equitable defense, *Metropolitan National Bank v. St. Louis Dispatch Co.*, 149 U.S. 436, 448

(1892); *United States Jaycees v. San Francisco Junior Chamber of Commerce*, 354 F.Supp. 61, 72, 175 U.S.P.Q. 525, 533 (D.C.N.D. Calif. 1972).

The purported trademark owner will also be denied registration for his trademark where he has been guilty of inequitable conduct in its use. *Coahoma Chemical Co., Inc. v. Smith*, 113 U.S.P.Q. 413, 418 (Comr. Pat. 1957); *Clairol Inc. v. Holland Hall Products, Inc.*, 165 U.S.P.Q. 214, 218 (TM.Tr.App.Bd. 1970). A trademark registration which is based on usage that is tainted with inequitable conduct should, by the same reasoning, be cancelled. American Dietaids' ACEROLA PLUS Trademark Registration No. 862,624 should be ordered cancelled.

Unclean hands need not be pled, *Hardinge Company, Inc. v. Jones & Laughlin Steel Corp.*, 164 F.Supp. 75, 77 (D.C.W.D. Pa. 1958); *Gynex Corp. v. Dilex Institute of Feminine Hygiene*, 85 F.2d 103, 106 (2d Cir. 1936); *Bishop v. Bishop*, 257 F.2d 495, 500 (3rd Cir. 1958); *Gaudiose v. Mellon*, 269 F.2d 873, 882 (3rd Cir. 1959).

**American Dietaids Admits Infringement by Asserting
It Has Standing to Sue to Cancel Plus Products'
Trademark Registration.**

American Dietaids seeks cancellation of Plus Products' mark, yet argues that there is no likelihood of confusion between the Plus Products' PLUS mark and its "plus" suffix marks. This, under the applicable law of trademarks, cannot be. American Dietaids' standing to sue for cancellation must be based on a belief

" . . . that he is or will be damaged by the registration of a mark . . ." (Title 15 U.S.C. §1064),

D.M. & Antique Import Corp. v. Royal Saxe Corp., 311 F.Supp. 1261, 1268-1269 (S.D.N.Y. 1969). In this regard, it is of note that American Dietaids has not alleged any damage to itself as a basis for cancellation. American Dietaids has alleged that there are so many third party usages of the word "Plus" that it could not possibly be a valid trademark and that there was fraud in securing the registration. This is analogous to the situation in *Aluminum Fab. Co. of Pittsburgh v. Season-All W. Corp.*, 259 F.2d 314, 317-318 (2d Cir. 1958). In substance, the court there held that the party seeking cancellation had to prove that there was a likelihood of confusion from the registrant's use of the registered mark. The proof was insufficient in that regard, although it established prior third party use with a yearly sales volume approaching \$500,000 on a similar product using the identical trademark.

Reading the *D.M. & Antique Import* and the *Aluminum Fab.* cases, *supra*, together, it appears that American Dietaids here would have to prove that there is likelihood of confusion between its "plus" suffix marks and Plus Products' PLUS mark in order to have standing to sue and to prevail in its cancellation effort. American Dietaids must either admit infringement or admit that it has no standing to sue for cancellation. American Dietaids cannot have it both ways.

Plus Products' Trademark Registration No. 789,307, has, unlike American Dietaids' Trademark Registration No. 862,624, acquired incontestable status under Title 15 U.S.C. §§1065, 1115(b) and is entitled to the protection thereof against American Dietaids' attempted cancellation, *Haviland & Co. v. Johann Haviland China Corp.*, 269 F.Supp. 928, 935-954 (D.C.S.D. N.Y. 1967).

American Dietaids charges Plus Products with making fraudulent representations to or fraudulently concealing facts from the trademark examiner in order to secure its registration. This charge stands naked of any evidentiary support in the record because American Dietaids failed to put in the file wrapper history of the registration. There is, therefore, nothing of record to show what Plus Products did or did not do or say in securing its registration. Plus Products represents to the Court that if the file wrapper history were in evidence, it would show that no misrepresentations were made and the facts that are charged to have been concealed were in fact fully revealed to and discussed at length with the trademark examiner. All of this appears in the file wrapper history which is a public record.

Plus Products' Motion to Produce Documents Should Not Have Been Denied.

Although, as argued hereinabove, it is submitted that proof of misbranding is not necessary to establish American Dietaids' unclean hands, Plus Products was denied the opportunity to prove misbranding. Plus Products made a motion during trial to require American Dietaids to produce the guaranties (called protocols) from its supplier to show what representations the supplier made to American Dietaids with regard to the raw material being "all natural." The motion to produce was denied because American Dietaids represented that the protocols were at the location of manufacture in Puerto Rico (Rp.Tr. 177-181). Undeniably, the motion was made at the last possible time; however, considering the involvement of the public policy against misbranding, particularly as it relates to Puerto Rican manufacturers, the motion should have been granted.

Even in the absence of the production of its protocols, the evidence of misbranding by reason of the "all natural" assertion is overwhelming. From the prices of natural and synthetic raw materials, the cost of concentration of natural materials, the sales price of the finished goods, and comparison with others similar or identical products, it appears that American Dietaids' vitamin C products cannot be "all natural" (Exhs. P, D, J, K, L, O, M, N, Q; Rp.Tr. 77, 222-223).

American Dietaids does now and always had advertised and labeled its "plus" suffix marked products as being "natural" (Exhs. 3, 4, 5, and 6 to the depo of plaintiffs by Okin; book of labels of plaintiffs which is a separate part of Court Exh. 1; Exhs. C, D, E, J, K, L, 1, 4, 7, 8, 10, 12, 14, 15, 25, and 27 hereto).

It appears that American Dietaids has built a business by characterizing its products as being "natural" (compare paragraphs 31 and 32 of Court Exh. 1) and that a substantial part of its sales volume is based on this representation.

The purchasers of health foods should be permitted to make their choices on the basis of accurate, honest information. To the extent that purchasing patterns are distorted by reason of false and misleading statements, the public interest in honest, free and open competition is damaged. To the extent that Plus Products' potential customers are diverted to American Dietaids by reason of American Dietaids' false and misleading claim of "all natural" vitamin C products Plus Products is damaged. To the extent American Dietaids' interests may suffer because its unclean hands prevent it from protecting the "plus" suffix marks it has used that suffering is self-inflicted. Had American Dietaids not breached its affirmative duty and not misbranded its products it would not have unclean

hands. The equities are with the public and those competitors of American Dietaids who do not misbrand their products.

**When Laches Is Excised From the Issue of Infringement
Likelihood of Confusion Is Apparent.**

The Trial Court's holding of no likelihood of confusion is dicta at least as to American Dietaids' twelve "plus" suffix marks that were in use at the time the present action was commenced. As to these twelve prior marks the Trial Court held Plus Products to be estopped by reason of laches from asserting infringement against them (Apdx. 44, 50). At the end of the opinion (Apdx. 47, 48) the Trial Court appears to hold that the defense of laches is not applicable to the four "plus" suffix marks which were first used after the commencement of this action. This holding is, however, subsequently infused with laches. The net holding appears to be that American Dietaids has a right to expand its usage of "plus" suffix marks because it is already using several "plus" suffix marks. The impact of the holding of laches is thus spread to the four after-acquired marks (Apdx. 48).

But for the pervasive impact of the holding of laches the substantial evidence of likelihood of confusion involving the trade name would probably have received more consideration. The Trial Court declined to decide the state of Plus Products' reputation (Apdx. 46). Under the trademarks, a trade name is not registrable on the Principal Register of the Patent and Trademark Office. Principles of unfair competition provide the basis for the relief sought by Plus Products with respect to American Dietaids' infringement of the trade name "Plus Products."

The trademark PLUS acquires extra strength here because it is used both as a trade name and a trade-

mark, *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 927 (8th Cir. 1967); *Armstrong Paint & V. Works v. Nu-Enamel Corp.*, 305 U.S. 315, 320-322, 83 L.Ed. 195, 199-200 (1938).

American Dietaids' unauthorized use of Plus Products' trade name and trademark is an infringement of Plus Products' common law rights and should be enjoined. *Swarthmore Classics v. Swarthmore Junior*, 81 F.Supp. 917, 919, 920 (S.D.N.Y. 1949).

Plus Products' catalogs, circulated continuously to the public in enormous quantities for more than 30 years, all show Plus Products' vitamin products as goods having their origin in Plus Products. Also, the trade name "Plus Products" appears on every label and always has. Copies of the catalogs appear herein as Exhibits 17, 20, 22, 24, 27, 29, 38, 41, and 46 to the Depo. of Ingoldsby, and Exhibits 48, 52, 54, and 55 to the Depo. of Bateman.

Plus Products gained its well-known and unique reputation through an unusual set of circumstances.

As set forth in the Stipulation, paragraphs 18 and 21 (Court Exh. 1), the well-known authoress, Miss Adelle Davis, published a best-seller book entitled, *Let's Eat Right to Keep Fit*, in 1954. Because she knew of Plus Products' excellent reputation, she mentioned Plus Products as a good source of products in her best-seller book in at least four locations, all without the knowledge of or solicitation by Plus Products (copies of pertinent pages from this book which list Plus Products by name and address are in evidence herein as Exhibit 18 to the Deposition of James W. Ingoldsby).

Plus Products' reputation spread rapidly following the publication of Miss Adelle Davis' book in 1954, as indicated by rapidly increasing sales and numerous

unsolicited inquiries from the general public (paragraphs 18 and 21, Court Exh. 1). Prior to 1960 Plus Products sold its products to the general public mostly by mail. In 1960 the decision was made to offer its entire product line to the jobbers and retailers in the health food industry (paragraph 22 of Court Exh. 1).

The significance of the trade name, Plus Products, is best illustrated by the following excerpts from Mr. Ingoldsby's Deposition:

"Q You indicated that there was a change in the packaging of Tiger's Milk. Did the addition of that product to the product line have any impact on the way that you merchandised your product line?

A Yes. We introduced Tiger's Milk at the convention and got in quite a few stores with it and then the jobbers started after us for our whole line and sometime in there we made Balanced Foods our jobbers in the New York area and then a lot of jobbers wanted it, so shortly after that we had several jobbers and went through the stores. We never gave up our mail order, but we went through the stores also." (Depo. of Ingoldsby, p. 29).

* * *

"Q You indicated that people in the health food business like the name 'Plus' or something to that effect. What reception did you receive when you first entered Balanced Foods in New York in offering your product line with the 'Plus' mark on it?

A Very favorable. In fact, they were very happy that I had even come to talk to them about it.

Q Did you have to explain to them who Plus Products was?

A No. No. They were very familiar with it.

Q And yet you had never sold to them previously?

A No. Our sales were pretty good size at that time and it is easy to get jobbers when your product is moving good." (Depo. of Ingoldsby, p. 90).

* * *

"Q Now, I think you said that the rate of sales increased more between 1954 and 1960 than previous to that; is that right?

A Yes. There is no doubt that being mentioned in a best-selling book accelerated our inquiries—accelerated our sales.

Q Now, after 1960 was the rate even greater or less? I understand that sales increased. I'm talking about the rate of increase.

A I would say they continued about the same up until about 1969 and then they started upwards again, partially due to the fact that Adelle's books came out in paperback and sold in the millions instead of the hundred thousands and that really accelerated the sales." (Depo. of Ingoldsby, pp. 80, 81).

The descriptive prefixes in American Dietaids "plus" suffix marks are there purely for their advertising value in describing the product. These descriptive prefixes, such as, for example, "Acerola," "Camu," "Bone," "Vitamin A," "Rose Hips," "Alfalfa Seed" and the like, should be disregarded in considering the question of infringement.

Infringement is clear where the goods, if not identical are at least of the same descriptive character; the

usages are the same; the dominant parts of the mark are the same; and the nondistinctive parts of the marks are obviously included for their advertising value in describing the product, *Boderick v. L. Mitchell & Co.*, 289 Fed. 618 (C.App. D.C. 1923); *In re Freedom Oil Works Co.*, 77 F.2d 631 (CCPA 1935). This extends to the combination of an infringer's trade name with the dominant part of another's mark. This applies even though the infringed mark is a weak one and there is widespread third party usage of the same mark on products which range from very different to slightly different, *W. E. Bassett Company v. Revlon, Inc.*, 435 F.2d 656, 661-662 (2d Cir. 1970).

Even a large number of diverse prior third party users does not excuse American Dietaids' direct overlapping wrongful use, *Admiral Corp. v. Penco, Inc.*, 203 F.2d 517, 521 (2d Cir. 1953).

A second comer has a duty to avoid all likelihood of confusion, *Londontown Mfg. Co. v. Cable Raincoat Co.*, 371 F.Supp. 1114, 1119 (S.D.N.Y. 1974) 182 U.S.P.Q. 20, 24.

American Dietaids introduced a vast amount of one of a kind examples of third party use, but offered no analysis of any of the third party usages to show whether there is any real conflict with Plus Products' mark. With a very few exceptions there was not even any evidence to show that the third party marks were ever used more than once.

The prior existence and continued use of Plus Products well-known trade name is by itself sufficient basis for the cancellation of American Dietaids' trademark registration on ACEROLA PLUS, *United Computing Corp. v. United Computing Systems, Inc.*, 183 U.S.P.Q. 115, 116 (TM.Tr.App.Bd. 1974).

American Dietaids argues that Plus Products' Trade-mark Registration for PLUS should be cancelled because the usage upon which registration was based involved using PLUS as a part of a composite mark. The Patent and Trademark Office has for many years permitted the registration of only the dominant part of a composite mark, *Ex Parte Marcalus Mfg. Co., Inc.*, 107 U.S.P.Q. 154, 155 (Comr.Pat. 1955); see also, *Chandler v. Roach*, 116 U.S.P.Q. 262, 263 (Comr.Pat. 1958); and *Ex Parte Picot Laboratories, Inc.*, 86 U.S.P.Q. 277, 278 (Comr.Pat. 1950); *In re Farmer's Union Grain Terminal Association*, 127 U.S.P.Q. 141 (TM.Tr.App.Bd. 1960); *Ex Parte Summit Studios*, 108 U.S.P.Q. 14 (Comr.Pat. 1955).

The trademark examiner will sometimes require that nondistinctive parts be cancelled from a trademark application so that only the dominant part of the mark will be registered, *In re Automotive Filters, Inc.*, 168 U.S.P.Q. 186, 187 (TM.Tr.App.Bd. 1970).

Under the long established and conventional procedure as indicated by the above decisions, it would also be possible for American Dietaids, but for Plus Products' opposition, to register the mark PLUS separate and apart from the various descriptive prefixes which it uses with its "plus" suffix marks. This is a further indication of the similarity in a trademark sense between American Dietaids' "plus" suffix marks and Plus Products' PLUS mark.

The above decisions represent the recognition by the law of trademarks of the very practical fact that in composite marks there are usually some parts of the mark which stand out in appearance, sound, or meaning in contrast with the balance of the mark.

Here PLUS is the part of American Dietaids' "plus" suffix marks which stands out. It is Plus Products'

mark and has been for many years. It is the dominant part of Plus Products' well-known and highly regarded trade name.

When the purchaser of health foods views all these PLUS mark products side by side on the same shelf in the health food store, he is likely to assume that they all belong to the same "PLUS" line of products. American Dietaids recognizes this fact as evidenced by Mr. Okin's deposition testimony on behalf of American Dietaids.

"Q Does the defendants use of the mark plus on its products in any way damage the plaintiffs or any one of them in the marketplace?

A We think it might.

Q Specifically, how does that use damage the plaintiffs in the marketplace?

A People may think that ACEROLA PLUS belongs in Plus Products. They may think that those products with the suffix plus that we use in those products might belong to that company. I might say and in that way it can be damaging.

Q That confusion, if it did exist in the consumer's mind, would result in an impact on your sales?

A It might.

Q Would the impact manifest itself in a decreased sales volume?

A Yes.

Q Would there be any other direct impact that you can think of?

A Sales would be the primary factor. There may be some other *confusion* in people's minds as to what constitutes whose product." (Emphasis added).

* * *

"Q I am inviting your attention to catalogue number 565. The index page which I believe you will find at page 47.

Would you look down that index, please, and tell me which of those products are in competition with the plaintiffs' plus suffix marked products.

A There are categories of products here that might be *confusing* to people who look at this since the plus mark is on many of these items which we also sell. You are talking about a multi-mineral tablet, for example." (Emphasis added).

* * *

"Here is a product that is a liver, iron and B vitamins. Number 50. Formula number 50. We have a product called LIVER PLUS.

We have a vitamin and mineral supplement, your number 74 in conflict with WONDEROLA PLUS, which is described as a vitamin mineral tablet.

We have a BONE PLUS. You have a bonemeal tablet with zinc.

Q Which number is that, please?

A Eighty-five.

Q Please continue.

A You have a product 93A, Lecithin Perles. That is number 93A.

We have LECITHIN PLUS.

You have a vitamin A, your marking 101A.

We have a VITAMIN A PLUS.

You have a Yeast plus formula number 250.

We have a BREWERS YEAST PLUS IRON, which might be *confusing* there (Emphasis added).

You have a rosehips C tablet marked 255 and 256 and 257 for that matter.

We have a ROSEHIPS VITAMIN C PLUS.

You have a product, your marking 265A, called Acerola Chews. We, of course, have ACEROLA PLUS.

Q Would there be any competition with E-CEROLA PLUS on 265A?

A It's possible, the names are fairly close.

You have a product 282 vitamin C with rose-hips, Acerola-200 milligrams. Number 282.

Q What would that be in competition with?

A ACEROLA. That is our ACEROLA PLUS.

Number 333, dry yeast and iron tablets, might be *confused* with our products, BREWERS YEAST PLUS IRON (Emphasis added).

You have a product here called Desiccated and Defatted Liver Tablets, number 486, which might be *confused* with LIVER PLUS. As far as I can see, that about covers it." (Depo. of plaintiffs by Okin, pp. 72-76) (Emphasis added).

Mr. Okin testified that the suffix "plus" was used on the recently introduced mark E-CEROLA PLUS because it was believed it would be more successful in terms of sales volume as well as in other respects. With regard to these other respects Mr. Okin testified:

"Q Would you please list what those others are.

A. You are asking me to get into the marketing expertise now. I think that maybe I can just mention one as an example, more than anything else. It creates the concept of a family of products. It gives you greater exposure and makes it more recognizable by the consumer. I wouldn't want to expatiate on that.

Q That family of product philosophy is what each product kind of tends to help the other?

A That is correct." (Depo. of plaintiffs by Okin, p. 55).

In light of Mr. Okin's detailed deposition testimony, his testimony at trial, over Plus Products' objection, to the effect that he was only concerned about confusion between acerola products is not credible (Rp.Tr. 54-57, 97-99).

Mr. Nolan Draney, president of Plus Products, testified in effect that there was likelihood of confusion.

"Q Do you feel that Plus Products in the Vitamin C category is being damaged in any way by the use of the word 'Plus' as the suffix in the 'Acerola Plus' designation?

A I have to answer it yes and then describe, if I may, why I feel that we are being damaged in that area.

Q Please state why you feel you are being damaged in that area.

A As I think has been apparent from what Mr. Ingoldsby discussed yesterday, a great deal of good will has been built up over the years as a result of the relationship between Plus and Adelle Davis, to the point that people, consumers, look upon Plus as a result of this good will as a product of quality, and so when you see the 'Plus' mark people are looking for a quality product. They identify with Plus Products in many cases. When we have competition in the marketplace using the 'Plus' mark there is a chance for conflict or confusion on the part of the consumer and where people would be buying Plus Products Vitamin C, if they see Acerola Plus there is a chance for them to confuse that with Plus Products, and in that way I believe we are being damaged." (Depo. of Draney, pp. 14-15).

When the evidence of infringement is considered in its entirety, it appears that the holding of noninfringement was a mistake, *United States v. United States Gypsum Co.*, *supra*.

**Holding That American Dietaids Adopted Its Marks
in Good Faith Is Unsupported by and Contrary to
the Record.**

The Trial Court's holdings with regard to the nature of the competition between the parties is contrary to and unsupported by the evidence. In substance it was held that the parties did not and do not compete in the mail order area and that the customers for the mail order sales are now and always have been different from the customers for the retail store sales. On this basis it was held that the parties were not in direct competition until Plus Products entered the retail stores and, therefore, American Dietaids adopted some of its "plus" suffix marks before the parties became direct competitors (Apdx. 38, 40). The record speaks clearly and exclusively to the contrary.

Mr. Okin testified at deposition on behalf of the plaintiffs with regard to certain mail order tabloids that are produced by American Dietaids. These tabloids are furnished by American Dietaids to retail stores which in turn mail them to the ultimate consumer.

"Q The documents from which Exhibits 3 through 11, with the exclusion of 10, were taken, appear to be catalogues of some sort.

Is that a correct impression?

A No, sir, it is not.

Q What description would you give to the documents from which Exhibits 3 through 9, for example, were taken?

A These are mail order tabloids, would be a better description, rather than catalogues in contradiction to Exhibit 11, which is actually a catalogue."

* * *

"Q Exhibit 3 goes back to 1958, were these tabloids in use prior to use in 1958?

A Yes, they were.

Q Were they in use at the time you purchased the company American Dietaids in 1955?

A Yes, in a slightly different form, essentially they were." (Depo. of plaintiffs by Okin, pp. 56-57).

* * *

"Q These tabloids are directed at the ultimate consumer, the ultimate purchaser as distinct from the retailer himself.

A That is correct.

Q Or anybody else.

A In this particular case of these exhibits, except—no exceptions. It was all for the consumer."

* * *

"Q Has that distribution of these tabloids been pretty much over the United States since 1958?

A Yes. Also before.

Q I understand that you, the companies, do newspaper advertising also.

A Yes, we do."

* * *

"Q Those ads were in newspapers of general circulation?

A Yes, they were.

Q So those were also aimed at the ultimate purchaser.

A Consumer.

Q Ultimate consumer.

A Correct." (Depo. of plaintiffs by Okin, pp. 61-62).

* * *

"Q Do you also do magazine advertising that is directed to the ultimate consumer?

A Yes, we do." (Depo. of plaintiffs by Okin, p. 65).

* * *

"Q What proportion of your advertising budget historically goes for advertising that is aimed directly at the ultimate consumer?"

* * *

"A . . .

The overwhelming amount of advertising is directed towards the consumer.

Q That has been historically true since 1955 and continues on to the present time?

A Correct.

Q The ultimate consumer that the major proportion or the overwhelming part of your ad budget is directed to, does he have, as an average, distinguishing characteristics from the rest of the population?

A I would say they are interested in health foods."

* * *

"Q Is this market that you aim your advertising at pretty much a single market or is it divided into different markets? I am talking about the advertising of the plus suffix marks. Is that aimed at a single market or are there different segments that you aim different marks at with different advertising?

A I think they are directed to both categories. The health food market and the general market.

Q Those are the two basics?

A Yes."

* * *

"Q Does this, if you know, advertising result primarily in that sort of mail order purchasing or does it result primarily in the fellow traveling to the store to select from the products on display there?

A Both." (Depo. of plaintiffs by Okin, pp. 66-68).

Although the testimony is unclear, the mail order purchasing of American Dietaids' products appears at least in some part to be between a retail store and the ultimate consumer. The mail order sales are generated by the tabloids produced by American Dietaids. Clearly, American Dietaids was using its tabloids continuously from at least 1955 to compete directly with Plus Products for mail order sales.

In Court Exhibit 1, at paragraphs 19 through 22 it is stipulated that Plus Products sold primarily by mail from 1940 to 1960 and thereafter primarily through retail stores. Plus Products continued to sell some by mail after 1960 as testified to by Mr. Ingoldsby (Depo. of Ingoldsby, p. 29, quoted herein, *supra*).

Plus Products and American Dietaids were clearly direct competitors in the mail order sales of health foods prior to the time when American Dietaids adopted its first "plus" suffix mark, as well as thereafter. Also, there is no distinction in the health food market between the ultimate purchaser who is a mail order customer and the ultimate purchaser who is a retail store customer. The absence of this distinction is highlighted by the fact that there was a ready and large market waiting for Plus Products' goods when they were permitted to enter the retail stores in 1960 (Depo. of Ingoldsby, pp. 29, 90, quoted herein, *supra*).

The holding that the parties became direct competitors only after American Dietaids had adopted a few

"plus" suffix marks appears to be the keystone to the finding that there was no bad faith in its adoption of those marks (Apdx. 40).

When the nature of the competition between the parties is clarified, Mr. Okin's testimony at trial appears in a different light (Rp.Tr. 48, 83-84). Mr. Okin recognized, without any indication from Plus Products, that there might be a trademark infringement problem, his previous denials of any prior knowledge of Plus Products' existence notwithstanding. In response to a question as to whether he noticed an overlap between the marks he testified:

"I knew about the existence of Plus Products. I felt that with our use in our particular way of Acerola Plus that there would be absolutely no confusion, therefore, we went ahead and we made the product and we trademarked the product and we went ahead with trademarking the product and there was no overt action to tell us otherwise or contradict us, therefore, I believe we had a right to make that assumption." (Rp.Tr. 84).

American Dietaids did not adopt its "plus" suffix marks in good faith.

As a practical matter, in a small industry such as the health food industry where Plus Products' trade name was well known, it is impossible to believe that American Dietaids was not aware of Plus Products' target reputation when it first adopted the "plus" suffix mark in 1958. It is significant that the first wave of "plus" suffix marks were adopted by American Dietaids within a few years after the original publication of Miss Adelle Davis' best-selling book. Relatively

few "plus" suffix marks were adopted by American Dietaids after 1962 (Court Exh. 1, paragraphs 29 and 30). Plus Products received a second boost in sales from the publication of Adelle Davis' book in paperback beginning in about 1969. American Dietaids again started adopting new "plus" suffix marks shortly after 1969.

The full significance of American Dietaids' use of the dominant part of Plus Products' trade name and its trademark is clearly seen when the content of the mark ACEROLA PLUS is examined. The word "acerola" is a generic term for a particular cherry. It is, as found by the Trial Court, incapable of acquiring independent trademark significance (Apdx. 45) when applied to an acerola product. The product to which the mark is applied purports to contain acerola. "Acerola" simply advertises the alleged content of American Dietaids' product.

The acerola cherry received a considerable amount of publicity in the health food industry just prior to the adoption and first use of the mark ACEROLA PLUS. Mr. Okin testified concerning this.

"Q You mentioned that you first noticed the existence of the acerola cherry by reading through chemical abstracts sometime in the late fifties?

A That's correct.

Q Were there other articles published around that time in the more popular press concerning the acerola?

A Yes, shortly thereafter there were some in popular magazines.

They picked it up and then popularized it.

Q And it was those articles in the popular press which brought the acerola cherry to the attention of the public primarily, was it not?

A To some extent it did in a general way. I think we did more than anybody else did.

The Court: Let us put it this way, it didn't hurt?

The Witness: I agree with that, your Honor.

Q It didn't hurt your sales any to have it in the popular press?

A No, it helped it." (Rp.Tr. 89).

At the time American Dietaids adopted the mark ACEROLA PLUS the trade name Plus Products was the best known and most widely respected name in the health food industry. The acerola cherry had just been widely popularized by the health food industry as being a new extremely rich source of natural vitamin C. There was a tremendously valuable reservoir of good will in the name PLUS, and there was a great demand for acerola-containing products. American Diet-aids, by adopting ACEROLA PLUS, clothed their offering to satisfy this demand with the cloak of Plus Products' reputation.

About the time this action was filed, circumstances again brought the name and reputation of Plus Products to the forefront through the republication of Adelle Davis' book. Undeterred by the pendency of this action, American Dietaids again wrapped its latest offerings in the cloak of Plus Products' reputation. Not satisfied with this alone, American Dietaids has also undertaken a program of emphasizing by size, location, and color the word "plus" in its advertisements (Exh. B).

The holding that American Dietaids adopted its "plus" suffix marks in good faith is in error and should be reversed.

Stripped of its defense of laches and left in the position of having adopted its "plus" suffix marks in bad faith American Dietaids is an infringer squarely within *A. T. Cross Company v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir. 1972) where it was held:

"It should be known by this time that this court does not look with much favor on the businessman who, out of the wealth of words available, chooses as a trademark one which comes as close as he dares to a well known mark on the identical product." *Supra*, page 692.

Where there is deliberate progressive development of an encroachment on an established trademark, such as that evidenced by American Dietaids' expanded usage of an advertising emphasis on PLUS, the defense of laches is not available, *Hoover Co. v. Western Vacuum Bag Mfg., Inc.*, F.Supp. 63 Civ. 3566, decided May 11, 1964 (S.D.N.Y. 1964), 141 U.S.P.Q. 639, 648.

Considering the substantial evidence of the widespread knowledge of Plus Products' reputation, American Dietaids surely knew of Plus Products when it adopted its marks and was, therefore, not acting in good faith. The lack of good faith adoption is in and of itself sufficient to strip American Dietaids of its defense of laches. The defense of laches is not available where a second user has adopted his marks in bad faith, *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 102, 63 L.Ed. 141, 147 (1918).

Conclusion.

By reason of unclean hands American Dietaids should be stripped of its defense of laches. American Dietaids should be ordered to produce its protocols and make such other discovery as is necessary to ascertain whether its products are misbranded. American Dietaids should be held to have admitted infringement by seeking the cancellation of Plus Products' trademark. American Dietaids should be enjoined from the use of "plus" in a trademark sense on its health food products by reason of trade name and trademarks infringement against Plus Products. American Dietaids' trademark registration for ACEROLA PLUS should be cancelled.

Respectfully submitted,

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and

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Attorneys for Plus Products.

PROOF OF SERVICE BY MAIL

I am a citizen of the United States and a resident of the City and County of Los Angeles; I am over the age of eighteen years and not a party to the within action; my business address is: 6500 Flotilla Street, Los Angeles, California.

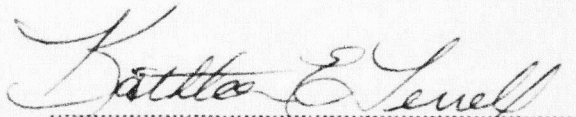
On July 16, 1976., I served the within
APPELLANT'S OPENING BRIEF in re: "American Dietetics Company
vs. Plus Products" in the United States Court of Appeals
for the Second Circuit, Nos. 76-7225 and 76-7231;

on the attorneys in said action, by placing
2 copies thereof enclosed in a sealed envelope with postage fully
prepaid, in the United States post office mail box at Los Angeles, California, addressed as follows:

ALAN H. LEVINE
350 Fifth Avenue
New York, New York, 10001

I certify (or declare), under penalty of perjury, that the foregoing is true and correct.

Executed on July 16, 1976., at Los Angeles, California


.....

Service of the within and receipt of a copy
thereof is hereby admitted this 16th day
of July, A.D. 1976.

proof of Service Enclosed
